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Classified By: Ambassador John V. Roos, Reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: The Democratic Party of Japan (DPJ) promised to bring change to Japan. Since taking control of the government last month, cabinet members have announced big policy changes. The new government has proposed and created new organizations and decision-making mechanisms with the aim of altering the nation's political system in a fundamental way. Their effectiveness remains to be seen. DPJ contacts have admitted that their administration is still in a transition period, and some have explained that the changes they are seeking are ones that will take years, if not decades, to take root. Some observers criticize the DPJ government for its lack of policy coherence and slow start. The Japanese public, in contrast, seems to support the efforts of their new government, and a majority of those polled have said they sense a change in their country. END SUMMARY.

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The DPJ Administration Gets to Work
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¶2. (C) The Hatoyama government has gotten off to a running start. Hatoyama himself and his new Cabinet ministers quickly made the headlines with bold pronouncements of policy changes that clearly marked the arrival of a new administration after more than five decades of nearly unbroken rule by the conservative Liberal Democratic Party (LDP). For example, the Prime Minister's ambitious pledge to reduce greenhouse gas emissions by 25 percent and his announcement of intent to develop a "Hatoyama Initiative" to provide increased aid to developing countries on global climate change took the bureaucracy by surprise, with top foreign policy officials recently conceding that they remain "in the dark" about plans and intentions of the Hatoyama's

signature priority issue. Soon after being confirmed as Hatoyama's Minister for Land, Infrastructure, Transport, and Tourism, Seiji Maehara announced his intention to halt the almost 70 percent-complete Yamba Dam project in Gunma prefecture. By doing so, Maehara showed the public that the DPJ was serious about its campaign pledge to halt LDP-era public works projects that it deemed a waste of taxpayer money. Foreign Minister Katsuya Okada also made front page news with an immediate directive to his subordinates at the Ministry of Foreign Affairs (MOFA) to begin digging up documents related to a "secret" agreement between the United States and past LDP-led administrations on nuclear issues. This, combined with his public pronouncements on creating a more "equal" relationship between the two alliance partners, provided a sharp contrast between the DPJ and its predecessor, which was often accused of being too cozy with the United States.

¶3. (U) Furthermore, in the DPJ's "manifesto" (party platform), the party said it would seek to accomplish a transition from a "bureaucrat-led government" to one led by elected officials. To do this, the party would create new governing structures, diffusing the power of the bureaucracy and restructuring the nation's budget process. In an article titled "How the DPJ Will Govern" (Japan Echo, October 2009), Deputy Prime Minister Naoto Kan, set to be in charge of one of these new governing structures, compared the transformation his party was seeking to that undertaken by leaders of the Meiji Period (1868-1912), during which a sweeping set of reforms helped launch Japan into a new era of development and modernism.

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The National Strategy Bureau

¶4. (SBU) The body that Kan is set to lead is to be called the National Strategy Bureau (NSB). Once in place, the NSB's mandate is expected to cover the creation of the national budget's framework, as well as a broad, policy vision that includes shifting control of government policy from bureaucrats to elected politicians. An article that appeared in the October 1 issue of the Nikkei newspaper pointed out that Toshio Oya from the Ministry of Finance (MOF)'s Tax Bureau and Hideki Takada from MOF's Budget Bureau were appointed to assist Kan with budgetary and bureaucratic transitions. The article speculated that Takada, who has experience in the British Finance Ministry, was brought in to assist Kan introduce a British-style, politician-led, cabinet system in Japan. Post contacts have also informed us that Kan's Senior Vice Minister (the second-highest ranking political official in a government ministry, after the minister) in the NSB will be Motohisa Furukawa, who, as a former MOF bureaucrat turned DPJ Diet member, is the perfect example of how the DPJ plans to transition from bureaucrat-led governance to a system led by politicians.

¶5. (SBU) DPJ Lower House Representative and Ichiro Ozawa confidante Tsuyoshi Yamaguchi told post recently that the NSB would also focus specifically on employment, Prime Minister Hatoyama's 25% emissions reduction pledge, and the East Asian Community (EAC). Yamaguchi said that he, Kan, and a handful of other politicians made up the small 'founding' staff of the NSB, which held its first official meeting on September 128.

¶6. (SBU) Despite the lofty expectations of the new bureau, it remains--after about four weeks since the inauguration of the Hatoyama administration--merely an office, and one that is thinly staffed and without a legal mandate. Even Kan, the minister designated to lead the NSB, lamented that, "My fellow cabinet members have office buildings and junior staff" while his organization does not. Prospects for the official launch of the NSB do not look positive, with Chief

Cabinet Secretary Hirofumi Hirano last week announcing a delay in the planned submission of legislation to remake the NSO into a bureau with full legal authority. The bill is now expected to be submitted during the ordinary Diet session, which is expected to begin in January 2010, instead of the extraordinary session that is set to convene October 26. SEE REFTEL.

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The Administrative Reform Council (Government Revitalization Unit)
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¶7. (U) Another governing body Hatoyama created to alter the way Japan is run is the Administrative Reform Council (ARC), also called the Government Revitalization Unit. Launched on September 18 and led by State Minister Yoshito Sengoku, the ARC is responsible for identifying wasteful spending of budgetary funds and drafting guidelines for government agencies to eliminate unnecessary spending. Designed to counter the power of the Ministry of Finance on budgetary matters, the ARC would work with MOF and other ministries before submitting fiscal proposals to the Cabinet. Like with the NSB, however, there are doubts about the effectiveness of the newly created organization. An October 1 article in the Nikkei quoted a bureaucrat turned DPJ lawmaker describing the all-encompassing power of MOF in relation to the current budget cycle: "Nothing can be accomplished before year's end unless the Finance Ministry's Budget Bureau does almost everything."

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¶8. (U) Perhaps to counter such bureaucratic power, the ARC has obtained key personnel from MOF, such as Budget Bureau Deputy Director General Katsumi Matsuura, who has been designated as Sengoku's administrative secretary. To give the ARC more clout, it will also include senior members from the private sector, including Kazuo Inamori (77, Honorary Chairman of Kyocera Corporation), Yuzaburo Mogi (74, Representative Director of Kikkoman Corporation), and Tadayoshi Kusano (65, former Secretariat Chief of the Japan Trade Union Confederation). Hatoyama Cabinet minister and Deputy Prime Minister Kan will also add political weight as a council member.

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The Budgetary Process
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¶9. (SBU) The budgetary process and resulting final product set the tone and shape the policy priorities of the Japanese government. Recognizing this, and also because it wanted to revise the FY2009 supplemental budget and alter the initial framework for the FY2010 general budget (both of which were put together by the previous administration), one of first and most fundamental changes the DPJ sought to introduce had to do with the budgetary process.

¶10. (SBU) Under previous LDP administrations, the Ministry of Finance began the budgetary process by submitting standards for all requests, which the Prime Minister and his Cabinet discussed and approved. Then, each ministry would submit its own budget requests to the MOF, which would consult with the LDP and key faction leaders before going back to the individual ministries to reach what was usually a final decision (the Cabinet provided a final stamp of approval).

¶11. (SBU) Under the DPJ's new guidelines, the Prime Minister and his Cabinet—not the bureaucracy—lead the process, which starts with meetings between and input from the NSB and Cabinet Committee on Basic Policies (CCBP, a new grouping made up of the leaders of the DPJ and its two largest coalition partners). The CCBP is responsible for coordinating with coalition party leaders, including senior

party officials not otherwise involved in administration affairs, through another new body called the Conference of Government and Ruling Coalition Leaders (CGRCL, which includes party heads and secretaries general of each of the three coalition members). After coordination with the CGRCL, the CCBP-together with the NSB-works with a Cabinet committee on budgets to develop the basic direction and policies related to the national budget, which are then approved by the Cabinet. Directly contrasting with the LDP-era system, it is not until these processes are completed at the Cabinet level that the bureaucracy becomes

involved. After the government's basic direction and policies are set by the Cabinet, the Finance Ministry and other ministries work with the above-mentioned ARC to develop specific budgetary requests, which are submitted back to the government's CCMP, before final approval by the Cabinet.

¶12. (C) Although yet to be fully tested, the new budgetary process of the DPJ is part of its larger plan to restructure the Japanese government so that it is led by politicians, not the bureaucracy. In a September 30 meeting with Treasury Deputy Assistant Secretary Dohner, MOF Senior Vice Minister and DPJ Diet member Naoki Minezaki confided that the DPJ was fully aware of the difficulties it faced in transitioning to a politician-led system. He noted that there was a real risk that bureaucrats simply "pretend to cooperate" but otherwise act as before.

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Conference of Government and Ruling Coalition Leaders
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¶13. (C) Complicating the flowchart of the DPJ's new governing structure is the fact that it is obliged to listen to the opinions of its two coalition partners, the Social Democratic Party (SDP) and People's New Party (PNP). The Conference of Government and Ruling Coalition Leaders (CGRCL) is one way the DPJ is doing this. The CGRCL, which also includes the Deputy Prime Minister (Naoto Kan) and Chief Cabinet Secretary (Hiroyuki Hirano), met for the first time on September 28. Prime Minister Hatoyama is said to have reported on his visit to the United States and Hirano on the administration's policy direction related to the FY2010 budget. PNP leader Shizuka Kamei reportedly spoke about the need to eliminate wasteful spending while introducing an "expansionist budget," while SDP leader Mizuho Fukushima stressed the importance of the employment issue.

¶14. (C) Although this meeting of senior officials from coalition parties made front page news, the actual substance of the grouping may be another matter. For one, the idea of this new framework reportedly came to PM Hatoyama on September 27, the day before the CGRCL's first meeting was held. SDP and PNP leadership was not informed of the inaugural meeting until noon on September 28, just hours before it was held then quickly broadcast through media. Although Hatoyama said publicly that the new framework would serve as an important venue for both explaining to coalition party executives what the DPJ was thinking on various issues and hearing SDP and PNP opinions, others have hinted at a less significant role. CCS Hirano, for example, indicated that the CGRCL was "a venue for each party to make a political statement" while "concrete contents of policies are to be decided by the Cabinet committee." Post contact and DPJ senior Lower House member Kozo Watanabe was more blunt, saying that the September 28 meeting was Hatoyama's "face-saving gesture" for the SDP and PNP, as well as a venue for the two smaller coalition partners to get "some of the spotlight." NOTE: Watanabe served as a cabinet minister three times while a part of the LDP and is well known as one of Ichiro Ozawa's closest confidantes. END NOTE.

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Coalition Confusion

¶15. (C) Despite the creation of this new entity that supposedly takes the opinions and policies of the two, smaller coalition parties into consideration, the role and strength of both the CGRCL and CCBP in the policy-making process is unclear. Coalition parties have already expressed their doubt about playing a significant role in the DPJ's emerging governing structure. For example, on October 1, the SDP and PNP decided not to have their representatives attend the Hatoyama administration's policy meeting for government ministries. This meeting, which is hosted by the senior vice-ministers (SVMs, the second-highest ranking tier of politicians in each government ministry, after the Cabinet minister) and attended by legislators from the ruling parties, was proposed by Ozawa to serve as a policy-making institution for the administration and ruling parties. The decision not to participate represented the SDP and PNP's protest against a host of policy programs proposed by DPJ cabinet ministers that ignored their differing stances. After the meeting, SDP Secretary General Yasumasa Shigeno criticized the DPJ: "Although it is a coalition government, the way the current cabinet is run is exactly in line with a grand design that presupposes a DPJ-ruled administration.

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The design does not involve the SDP and the PNP."

Taming the Bureaucracy

¶16. (C) One thing coalition members can agree on, however, is another central tenant of the DPJ's new governing structure-reducing the power of the bureaucracy. Having promised change in the way the nation's policies were created and disseminated, DPJ leaders did not waste any time in showing that change was afoot. The morning he assumed his post, Foreign Minister Katsuya Okada ordered his Ministry of Foreign Affairs (MOFA) to launch a thorough investigation into four supposed "secret" pacts between the United States and Japan that were said to have been concluded while the LDP was in power, including one in which Japan allowed port calls by U.S. vessels carrying nuclear arms.

¶17. (SBU) The DPJ administration also forced MOFA bureaucrats in Tokyo and overseas to cancel press conferences soon after PM Hatoyama took office, saying that politicians-not bureaucrats-should speak for the new government. NOTE: On October 2, the Japanese Embassy in Washington DC announced that Japanese Ambassador Ichiro Fujisaki would resume his news conferences starting October ¶17. END NOTE.

¶18. (C) Administrative vice ministers (AVM, the highest-ranking bureaucrat in each government ministry) were also a target of the DPJ. A biweekly meeting of AVMs, after which the LDP Cabinet was known to rubber stamp policy decisions reached by bureaucrats, was cancelled, and greater power was given to senior vice ministers and parliamentary secretaries (the third-highest ranking tier of politicians in each ministry). SVMs from each ministry now preside over new "ministerial policy conferences" to discuss issues and devise policies. Minister for Financial Affairs and Postal Reform Shizuka Kamei has also cut out the career bureaucrat in his ministry by giving his SVM, Kohei Otsuka, a greater role in his organization's decision making process. One well-placed journalist told the DCM that many administrative vice ministers now have "nothing to do all day but watch T.V."

Changing Japan

¶19. (C) Clearly, the DPJ-led government's governing structure is still emerging. The roles of newly created

organizations are still being worked out, and there has been some confusion within and among bureaucracies. Vice Defense Minister Aki Nagashima recently contradicted Foreign Minister Okada on the subject of Japan's support for Indian Ocean refueling, and was publicly rebuked by Chief Cabinet Secretary Hirano. In another example, a senior official at the Foreign Ministry told Embassy Tokyo USAID Counselor that his bureau has been receiving multiple directives from different sources that are often in conflict. In contrast to the past where the Finance Ministry was the clear path toward securing budget decisions, the Director General said it was now very difficult to sort out who is making, or will make, the final call on funding levels.

¶19. (U) That said, the Japanese public has strongly supported the DPJ administration. They believe that for the first time in decades, the voters had a hand in bringing about a change in government. At least for now, the public seems to want to give the DPJ-led government support. Recent polling shows support rates of 75% (Fuji) and 70% (NHK) for the Hatoyama Cabinet. When asked specifically (NHK) if they

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feel the new Cabinet's efforts so far have changed politics, 17% said that they "strongly feel" the change, while 40% answered that they "feel the change to a certain extent."

ROOS